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Mr. Mark Friedrichs, PI-40
Office of Policy and International Affairs
U.S. Department of Energy
1000 Independence Ave., S.W.
Washington, D.C. 20585

RE: Comments on the Guidelines for Voluntary Greenhouse Gas Reporting,
including the Interim Final General Guidelines and the Draft Technical Guidelines;
10 CFR Part 300.

Dear Mr. Friedrichs:

TXU Power, Dallas, Texas, appreciates the opportunity to comment on the Department of Energy's General Guidelines for Voluntary Greenhouse Gas Reporting and the draft Technical Guidelines for the Voluntary Greenhouse Gas Reporting. The principle business of TXU Power (hereinafter referred to as TXU) is the production and marketing of electrical energy in Texas. TXU Power is the largest producer of electricity in Texas and the second-largest unregulated generator in the U.S. It owns or leases over 18,300 megawatts of generation, including 2,300 MW of nuclear capacity and 5,837 MW of lignite/coal capacity. TXU Power supplies 70% of the fuel used at its lignite/coal plants through one of the nation's largest surface coal-mining operations.

TXU is a member of the Edison Electric Institute (EEI) and the Electric Power Industry Climate Initiative (EPICI). Through these organizations we have been part of the dialogue between the energy sector and DOE on the 1605(b) guidelines revisions as well as on the Administration's Climate VISION program. We are also members of the PowerTree Carbon Company, UtiliTree Carbon Company, and the Utility Solid Waste Activities Group (USWAG). We endorse and support the detailed written comments of all of these organizations and, for the most part, we will not repeat the detailed comments submitted by these organizations.

TXU was an active participant in the development of the joint Department of Energy (DOE)/utility industry Climate Challenge Program in the mid 1990s. The original goal was to develop a program for reporting greenhouse gas reductions with a base year of 1990 and looking forward to how emissions by the year 2000

could be reduced. Since the mid 1990s, TXU developed specific projects that avoided or eliminated greenhouse gas emissions or off-set emissions from carbon sequestration. We have reported the results of our efforts in the 1605(b) reporting framework since the inception of the reporting program. Between 1991 and 2003, our Climate Challenge Program has been responsible for reductions of more than 241 million tons of carbon dioxide equivalent. DOE's 1605(b) records show that this is the largest single reduction of any investor-owned electric utility in the United States. We have accomplished these results despite being in an economic growth area with an increasing demand for electricity, as well as being in a deregulated electricity market since 2002.

We support a voluntary approach to reducing greenhouse gas emissions and we support the Administration's goal of reducing the power sector's carbon intensity. Regardless of changes in the 1605(b) program, we intend to continue to pursue efficiency programs and other actions, such as carbon sequestration, that reduce or off-set our greenhouse gas emissions.

Our 1605(b) program consists of 13 specific actions. Each has its own base line or starting time. In 2003, we reported the avoidance, elimination or sequestration of more than 24 million tons of carbon dioxide equivalent from our Climate Challenge Program. The fate of this program under the revised guidelines is summarized below.

Operation of Nuclear Units - Would not be counted in the revised program. TXU's nuclear-fueled Comanche Peak Steam Electric Station came on line after January 1, 1990. Had this zero-emission plant not been built a similar amount of generating capacity from coal would have been required. In 2003, operation of the nuclear units, including plant efficiency improvements, avoided the emissions of more than 19 million tons of carbon dioxide that would have otherwise occurred. Under the new guidelines, emissions reductions from operation of the nuclear units would be reflected in our baseline emission intensity in 2002 and thus would not be included in the new 1605(b) program.

Heat Rate Improvement Projects – Would not be counted in the revised program. Projects that improve power plant efficiency result in avoided carbon dioxide emissions. These projects were responsible for the avoidance of more than 1.4 million tons of carbon dioxide in 2003. In the revised 1605(b) program, any avoided emissions would be reflected in the baseline in 2002 and in subsequent year's entity emissions rather than as greenhouse gas reductions.

Renewable Energy Development – Would not be counted in the revised program. TXU is the largest purchaser of renewable energy in the western U.S. and one of the largest in the country, however, TXU purchases the renewable energy rather than owning the physical facilities. The 606,000 tons of greenhouse gases avoided from our renewable purchases would not be attributable to TXU under the new program.

Lignite and Western Coal Blending – Would not be counted in the revised program. In the revised 1605(b) program, the greenhouse gas reductions from our blending of Texas lignite with western coal would be included in our entity inventory.

Demand-Side Management – Would not qualify for inclusion in the revised program. This program has effectively been eliminated from the revised 1605(b) program. We would no longer report greenhouse gas reductions of 500,000 to 640,000 tons annually although these reductions would continue to take place. It is unlikely that any of these reductions would be reported by individuals or households, and thus these reductions would go unreported.

Employee Vehicle Use (Mileage) Reduction Programs - Would not qualify for inclusion in the revised program. TXU has developed programs for employee car pooling, subsidized bus and train passes, and other transportation programs to reduce emissions from employee transportation. These programs, which resulted in the avoidance of 16,000 tons of carbon dioxide in 2003, would be eliminated from reporting, either because the company could not include them or because the reductions would be reflected in the entity greenhouse gas emissions inventory.

Landfill Methane – Would not be included in the revised program. TXU purchases power from a landfill methane project which avoids emissions of more than 230,000 tons of greenhouse gases annually. TXU does not own the landfill and would not take credit for the reductions in the revised program.

Increased Reforestation (carbon sequestration) - Could no longer be included in the revised program. Since 1990, we have increased our planting of pine plantations for carbon sequestration on mined lands. Since we do not necessarily own the land on which the trees are planted and since the requirements for inclusion of tree planting projects in the revised program is so onerous we would no longer report the results of this program which currently is responsible for the sequestration of more than 24,000 tons of carbon dioxide annually.

Texas Reforestation Foundation - Would no longer be included in the revised program. Since the mid 1990s we have funded the replanting of trees on small private acreages in conjunction with a foundation established by private entities and the Texas Forest Service. Since these plantings occur on private lands, we would no longer be able to take credit for the carbon sequestered by our contributions to this program.

Utility Forest Carbon Management Program and the PowerTree Carbon Management Program – It is unlikely that TXU would get credit for the carbon sequestered in these programs under the revised guidelines. Questions of land ownership and the burdens for reporting for sequestration projects would probably preclude our reporting of any reductions from our participation in these programs. It is likely that the carbon sequestered in these programs would go unreported.

SF₆ Reductions – Reductions reported under this program would be severely reduced or eliminated. Since 1997, TXU has been actively engaged in the reduction of emissions of sulfurhexafluoride from our operations. To date, this effort has resulted in the avoidance of more than 2 million tons of carbon dioxide equivalent. By restarting the baseline clock

In 2002, future reductions would be severely reduced for future reporting purposes, although the reductions that have been achieved since the mid 1990s are still there.

Paper and Aluminum Recycling – Reductions would not be included in the revised program. We would no longer report more than 700,000 tons of carbon dioxide emissions avoided annually from our recycling efforts.

Coal Ash Byproduct Use – This program has effectively been removed from the revised program. This program results in the avoidance of more than 700,000 tons of greenhouse gases annually. We could not report these reductions and we anticipate that they would go unreported.

Even though these reductions and off-sets could not be reported in the revised 1605(b) program, they are nevertheless real. For example, in 2003, our carbon dioxide emissions from our generating plants totaled 60.1 million tons as reported to the EPA from Continuous Emission Monitoring equipment. This single source of greenhouse gas emissions for TXU far outweighs all other emissions from all other sources. If we had not had the elements of our Climate Challenge program in place our emissions would have been more than 83 million tons. Our 60.1 million tons of emissions are further off-set by more than one million tons from carbon sequestration efforts, transportation projects and recycling programs. The reductions accomplished from our projects will be missing from future 1605(b) reporting.

The revised 1605(b) guidelines would affect our ability to report in other ways. For example, since 1990 we have reduced our carbon dioxide emissions from our generating units. Our direct emissions of carbon dioxide from our power plants in 2002 was 8.7 million tons less than in 1990. During the same period (1990 – 2002) our power plant greenhouse gas intensity had decreased by slightly more

than 13%. These are real reductions in emissions and reductions in carbon intensity.

Consider, however, the setting of a baseline in 2002. In 2002, our carbon dioxide emissions from our generation fleet were 59.4 million tons. All of our historic greenhouse gas reduction efforts in the revised program have either been eliminated because they are now in the inventory or have been eliminated because they no longer qualify for inclusion in the program. Our emissions in 2003 were 60.1 million tons – an increase of more than 700,000 tons over that reported in 2002. At the same time, our GHG intensity (tons/mwh) increased 1.2%. Thus, we would not be able to report or register a decrease in emissions because our intensity had increased rather than decreased.

In 2004, our actual emissions decreased by 7.2% (from 2002 levels) but our carbon intensity increased almost 3.5% when compared to the base year. As we understand it, we would not be able to report or register a decrease for 2004 because our carbon intensity had increased, even though our actual tons of emissions had gone down when compared with the 2002 emissions totals.

Conclusion

In the preceding paragraphs we have tried to identify the effects of the revised guidelines on our specific situation. These are the same concerns we expressed in our February 16, 2004, comments on the December 5, 2003, version of the General Guidelines for Voluntary Greenhouse Gas Reporting. The concerns we expressed in those comments are still valid. The revamping of the 1605(b) program, including adjustment of the base year, the very prescriptive nature of the registering and/or reporting requirements, and the specific restrictions on certain projects or programs, will likely remove any incentive for our continued participation in the 1605(b) program.

We urge the DOE to reconsider the following:

- The piecemeal approach to these guidelines – we were concerned over a year ago about what might be contained in the detailed, technical guidelines that would affect our comments on the general guidelines. Indeed, as we noted in our 2004 comments, “the devil is in the details” except now we have the details and for the most part the details have not reduced or eliminated our concerns. DOE acknowledges that comments on the Interim Final Guidelines and/or the Draft Technical Guidelines may result in further changes to these guidelines. Furthermore, the forms to be used to report (register?) reductions under the revised program are not yet available, nor is the Simplified Emissions Inventory Tool (SEIT). All of this is one package as far as we are concerned and should be available in

final form for full evaluation before the effective date for implementation. Once all of these pieces are available, many of us will have to evaluate how we intend to respond. It would be helpful if all of the guidelines and forms were available before the end of 2005, with the first full year of implementation being no sooner than 2006, i.e., the first reports due sometime in 2007 for calendar year 2006 information.

- Tiered Reporting and Registry System – we were concerned that this two-tiered approach would create an unwanted distinction between “reporters” and those who chose to “register” emissions reductions. We think those concerns are still valid; however, with the highly prescriptive requirements for registering greenhouse gas intensity reductions we believe that this may prove to be a moot point. We question why company would put itself through the process of trying to register reductions. What remains to be decided then, is whether there is any value in participating in the 1605(b) program by continuing to report emission reductions. We concur with the strong comments from the Edison Electric Institute in urging DOE to maintain the unitary data base currently existing under 1605(b), without separate reporting and registration tiers.
- The Registry Program and Entity versus Project Reporting – TXU does not report at the entity level in the current 1605(b) reporting program. Our extensive greenhouse gas reduction program is built on project specific actions with the base year established for each project consistent with when specific projects were initiated. We urge the DOE to reconsider its approach to project-level reporting.
- Credit for Past Actions – our concern that no good deed goes unpunished appears to be validated, i.e., by restarting the clock on the baseline year, as well as developing guidelines that eliminate things like coal ash sales, emissions reductions from company-sponsored transportation programs, and demand-side management programs, our considerable greenhouse gas reduction program has been reduced significantly, even though we have made extensive greenhouse gas reductions and have expended considerable resources to develop carbon off-set projects. We believe that the 1605(b) program should be designed in such a way as to encourage rather than discourage participation.

Thank you for the opportunity to comment on the proposed guidelines.

Very truly yours,

L. Ed Powell, Ph.D.

Manager, Environmental Policy